

# **Semiannual Report to Congress on Audit Follow-up**

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**April 1, 1996 - September 30, 1996**

*CNS Semiannual Report Number 6*

## INDEX OF THE INSPECTOR GENERAL ACT REPORTING REQUIREMENTS

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# SEMIANNUAL REPORT ON AUDIT FOLLOW-UP

## Introduction

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This is the sixth semiannual report to the Congress on audit follow-up at the Corporation for National Service. It discusses management decisions made and final actions taken in response to audits issued by the Office of the Inspector General. It is required by the Inspector General Act of 1978, as amended, and covers the six-month period ending September 30, 1996.

Authorized under the National and Community Services Trust Act of 1993, the Corporation engages Americans of all ages and backgrounds in community-based service to help meet the Nation's educational, environmental, public safety, and other human needs. The Corporation is working to harness the talents, energy, and commitment of America's citizens through three major programs: AmeriCorps, Learn and Serve America, and the National Senior Service Corps.

During the reporting period:

Management decisions were made for thirteen audits and final actions were taken on twelve audits. The final actions involved resolution of \$145,000 in disallowed costs.

Two audit reports with disallowed costs remained open a year after a management decision was made. One report was with the Department of Justice for action, the other report had been referred to a Collection Agency.

The Corporation was able to close three audit reports that had been with the Department of Justice, based upon the results of litigation or the Department's decision to not pursue action.

None of the audit reports which were issued during the period involved a recommendation that funds be put to better use. The single unresolved audit report involving funds to be put to better use was resolved during this reporting period.

The Corporation continued its efforts to resolve management control issues which were identified in the Auditability Survey (OIG 96-38) which was conducted under the direction of the Office of the Inspector General in the prior reporting period. An assessment of the effectiveness of the Corporation's actions to resolve these control issues was also initiated during this reporting period. The results of this survey will be reported in the report for the period ending March 31, 1997.

## **Management Decisions and Final Actions**

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Under the Corporation's audit follow-up system, the recipient of an audit has an opportunity to provide management with comments or additional information on audit findings. Management reviews the comments and provides the Office of the Inspector General with a proposed management decision, which is an evaluation of the weaknesses and recommendations identified in the audit report, as well as proposed actions to correct the deficiencies. This part of the audit resolution process may take up to 100 days. The proposed management decision becomes a final management decision upon concurrence by the Inspector General, a process that is to be completed within six months of an audit report being issued. The audit report is resolved, or closed, when all corrective actions have been completed.

During the reporting period, thirteen management decisions were made, involving \$64,000 in disallowed costs. During the six-month reporting period, final actions were taken on twelve reports that were outstanding in the Audit Resolution Tracking System.

### **Audits With Management Decisions and Recommendations to Put Funds to Better Use**

There were no audit reports involving recommendations to put funds to better use submitted during this period (Table 2).

### **Audits With Disallowed Costs That Had No Final Action Within a Year of a Management Decision**

Table 3 shows the two audit reports with disallowed costs that had not received final action within a year of the management decision. Five reports were in this category in the last semiannual report. This reduction in the number of reports "more than a year old" came about through actions and litigation by the Department of Justice. Of the two remaining reports on the list, one is still with the Department of Justice, the other has been referred to a Collection Agency.

Audits that contained no disallowed costs and had not received final actions within one year of a management decision were reduced from seven to six. Most of these were reviews of internal operations that pre-dated the formation of the Corporation and the findings and corrective actions are often no longer relevant. An effort will be made during the current reporting period to come to an agreement with the Office of the Inspector General to close these audit reports, as well.

### **Comments on the Inspector General's Semiannual Report**

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The Corporation for National Service is covered by the Government Corporation Control Act and, as such, is required to prepare annual financial statements which are to be audited. The Corporation sought to conduct a financial audit for fiscal year 1994, but its systems and records did not meet standards of the Government Corporation Control Act. Thus, a survey was conducted to identify areas that need to be addressed in order to meet those standards. This auditability survey was completed at the end of the previous reporting period, March 29, 1996, and its recommendations were submitted to the Corporation on March 29, 1996. The Corporation began to systematically address the recommendations resulting from the survey during the period of this report.

Finally, while the Inspector General's report discussed a number of audits that were issued during the reporting period, we have not commented on them since they are still undergoing resolution in accordance with OMB Circular A-50 and the Corporation's audit follow-up process. It would be premature to comment on them until the auditees have had an opportunity to respond and a management decision has been made specifying the final, mutually agreed to weaknesses and corrective actions.

### **Management Decisions not Made Within Six Months**

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The Inspector General's semiannual report for this period identified fourteen audit reports for which management decisions had not been made within six months of the audit report being issued. Seven of these reports had monetary findings over \$1,000; two had monetary findings under \$1,000; and five involved only non-monetary findings.

By the end of the reporting period, the Corporation had proposed management decisions on five of these fourteen reports. On all of these reports, the Office of the Inspector General has requested additional management action in order to address the findings. The additional action included further verification that corrective actions had indeed taken place.

# FINAL ACTION TAKEN ON AUDIT REPORTS WITH DISALLOWED COSTS

(for the period March 31, 1996 - September 30, 1996)

	<u>Number of Audit Reports</u>	<u>Disallowed Costs (\$000)</u>
A. Audit reports with management decisions upon which final action had not been taken as of March 31, 1996.	13	303.2*
B. Audit reports upon which management decisions were made during the six-month reporting period.	13	115.0
C. Total audit reports with management decisions upon which final action was pending during the reporting period (total of A and B).	26	418.2
D. Audit reports upon which final action was taken during the reporting period (total of D.1. through D.4.).	12	143.8
1. Recoveries		
(a) Collections and offsets	5	50.1**
(b) Property in lieu of cash	0	0
(c) Other	0	0
2. Write-offs	3	83.3
3. Audits with no disallowed costs	3	0
4. Adjustment to disallowed costs resulting from a new, close-out audit which superceded an earlier audit report	1	10.4
E. Audit reports with management decisions upon which no final action had been taken as of March 31, 1996.	14	274.4

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\* These disallowed costs are taken from the original management decisions and do not reflect revised figures resulting from appeals. Revised amounts will be noted in the reporting period in which the reports receive final action. This figure represents a rounding adjustment (-.1) from the previous report.

\*\* Three reports were closed by the Department of Justice in prior reporting periods. The Corporation was notified during this reporting period.

\*\*\* Of this amount, \$182,000 has been referred to the Department of Justice for collection.

**Table 1.**

**AUDITS WITH RECOMMENDATIONS TO PUT FUNDS  
TO BETTER USE**

*(for the period March 31, 1996 - September 30, 1996)*

	<u>Number of Audit Reports</u>	<u>Funds to be Put to Better Use (\$000s)</u>
<b>A.</b> <i>Audit reports with management decisions on which final action had not been taken at the beginning of the period.</i>	<i>0</i>	<i>0</i>
<b>B.</b> <i>Audit reports on which management decisions were made during the period.</i>	<i>1</i>	<i>200</i>
<b>C.</b> <i>Total audit reports pending final action during the period (Total of A and B)</i>	<i>1</i>	<i>200</i>
<b>D.</b> <i>Audit reports on which final action was taken during the period.</i>	<i>0</i>	<i>0</i>
<b>1.</b> <i>Value of recommendations that were completed.</i>	<i>1</i>	<i>200</i>
<b>2.</b> <i>Value of recommendations that management concluded should not or could not be implemented or completed.</i>	<i>0</i>	<i>0</i>
<b>3.</b> <i>Total of 1 and 2</i>	<i>1</i>	<i>200</i>
<b>E.</b> <i>Audit reports needing final action at the end of the period (Subtract D3 from C)</i>	<i>0</i>	<i>0</i>

**Table 2.**

# Audits With Disallowed Costs That Had No Final Action Within One Year of a Management Decision (as of September 30, 1996)

*None of the audit reports in this table had a recommendation that funds be put to better use.*

<u>Report Number</u>	<u>Report Name Auditee</u>	<u>Decision Date</u>	<u>Disallowed Costs</u>	<u>Reason No Final Action Was Taken by September 30, 1995</u>
89-41	Labor Agency of Metropolitan Washington, Inc.	3/23/90	172,774	Debt was forwarded to the Department of Justice on January 16, 1992.
90-R21-31	Seneca Center	10/15/90	\$9,231	Debt was placed with a private Collection Agency.

*Seven additional audits with no disallowed costs have not received final action within one year of a management decision. The corrective actions for most of these audits includes issuing new policies and procedures.*

**Table 3**